GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0122		**Title:**	Revise mortgage lender and broker licensing acts
Primary Sponsor:	Jent, Larry		**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
State Special Revenue	$133,958	$128,833	$129,463	$132,241
Revenue:				
State Special Revenue	$154,217	$161,709	$162,982	$164,287
Net Impact-General Fund Balance	$0	$0	$0	$0

Description of fiscal impact: This bill will create additional expenditures and revenue to the state special revenue fund for the licensure and regulation of residential mortgage lenders, mortgage brokers, and mortgage loan originators. The mortgage broker licensing program is currently operating at a loss with a deficit in revenue. The increase in licensing costs reflected in this fiscal note may allow the mortgage licensing programs to be self supporting. The Banking Division is self funded through its examination and licensing fees. There is no impact on the general fund.

FISCAL ANALYSIS

Assumptions:

1. The bill is effective July 1, 2009, and will revise existing acts governing the licensing and regulation of mortgage lenders, mortgage brokers, and mortgage originators to comply with the Federal Secure and Fair Enforcement of Mortgage Licensing Act of 2008.
2. Montana business entities and individuals involved with the mortgage loan process but not presently required to be licensed will have to be licensed in order to comply with the bill.
3. Out-of-state business entities and individuals involved with the mortgage loan process but not presently required to be licensed will have to be licensed in order to comply with the bill.

4. Some license fees, which are set by administrative rule, will be decreased to accommodate changes in license types.

CHANGES IN LICENSEE NUMBERS AND LICENSING REVENUE

	2008	**FY 2010 projected**		**FY 2011 projected**		**FY 2012 projected**		**FY 2013 projected**	
	# of licenses	#	Revenue change	#	Revenue change	#	Revenue change	#	Revenue change
Mortgage lender offices	187	232	$17,750	232	$17,750	232	$17,750	232	$17,750
Mortgage broker offices	109	209	$33,750	224	$40,000	224	$40,000	224	$40,000
Individual licenses	281	530	$99,600	530	$99,600	530	$99,600	530	$99,600
Change in license types	116	116	($11,600)	116	($11,600)	116	($11,600)	116	($11,600)
Change in Basis for examinations			$14,717		$15,959		$17,232		$18,537
Net Change in Revenue			**$154,217**		**$161,709**		**$162,982**		**$164,287**

5. The bill requires mortgage lender and broker licensees to pay a $100 penalty for each day that a mortgage call report is submitted late. The mortgage call reports are not required under present law. It is impossible for the department to estimate how many reports will be submitted late and subject to the penalties.
6. The bill requires civil fines levied against residential mortgage lenders and mortgage brokers to be deposited into the department's state special revenue account. It is impossible for the department to estimate how many civil fines may be imposed against mortgage lenders and mortgage brokers.
7. There will be 2.00 FTE needed for licensing, industry and consumer inquiries, complaints, and examinations.
8. The 2.00 FTE will be pay band 5 financial examiners who will be hired in FY 2010. Salaries are estimated at 75% of market ($50,281 x .75 = $37,711) and benefits and insurance are estimated to be 30% of personal services ($37,710 x .3 = $11,313). There is a 2.5% personal services inflationary factor which has been applied to the years following FY 2010.
9. Operating expenses for the 2.00 FTE are detailed in the table below. Supplies and materials for FY 2010 includes a one-time charge $6,800 for workstations and computers. Training and continuing education expenses for the 2.00 FTE will begin in FY 2010 and continue through the projection period. Training costs are estimated to be $10,000 in FY 2010 and FY 2011, and $6,000 for FY 2012 and FY 2013.
10. Mandatory participation in the Nationwide Mortgage Licensing System (NMLS) requires training of non-examiner department staff in order to process applications on the licensing system. The department assumes that six members of its staff would participate in the training. The department assumes that the cost to attend the training would be $10,080 in both FY 2010 and FY 2011. The estimate includes the cost of transportation, lodging and per diem to an out-of-state training facility maintained by the NMLS. The department estimates that the ongoing costs for staff training in using the NMLS will be $12,000 in both FY 2012 and FY 2013.
11. Examinations of licensees will be performed by the 2.00 FTE. Fees charged for examinations will be commensurate with the costs of the examination rather that at the fixed rate required by present law. It is estimated that the 2.00 FTE will conduct 20 examinations each year. The division estimates that an examination requires two examiners to spend three days to complete an examination. The "actual cost" of an examination includes travel, lodging, and examiner salaries and benefits. Lodging is estimated at $75

per examiner, per night, with five days and four nights of travel on each examination. Travel is estimated at 300 miles round trip with using one vehicle from the state motor pool. Examination fees will increase each year because of inflation factors built into certain expenses, and are detailed in the table below.

	FY 2010	FY 2011	FY 2012	FY 2013
Revenue				
Personal Services				
Salaries	$75,420	$77,420	$79,356*	$81,339*
Benefits	$22,626	$22,626	$23,192*	$23,771*
Operating Expenses				
Other Services	$2,892	$2,892	$2,964*	$3,038*
Supplies and Materials	$7,475	$350	$350	$350
Travel – training	$20,080	$20,080	$18,000	$18,000
Travel – examinations	$5,465	$5,465	$5,602*	$5,742*
Total Expenses	**$133,958**	**$128,833**	**$129,463**	**$132,241**
*Expense items have been adjusted 2.5% annually for inflation in FY 2012 and 2013				

	FY 2010 Difference	**FY 2011 Difference**	**FY 2012 Difference**	**FY 2013 Difference**
Fiscal Impact:				
FTE	2.00	2.00	2.00	2.00
Expenditures:				
Personal Services	$98,046	$100,046	$102,547	$105,111
Operating Expenses	$35,912	$28,787	$26,916	$27,130
TOTAL Expenditures	$133,958	$128,833	$129,463	$132,241
Funding of Expenditures:				
State Special Revenue (02)	$133,958	$128,833	$129,463	$132,241
TOTAL Funding of Exp.	$133,958	$128,833	$129,463	$132,241
Revenues:				
State Special Revenue (02)	$154,217	$161,709	$162,982	$164,287
TOTAL Revenues	$154,217	$161,709	$162,982	$164,287
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
State Special Revenue (02)	$20,259	$32,876	$33,519	$32,046

Sponsor's Initials *Date* *Budget Director's Initials* *Date*